

CHARACTERISTICS OF ORGANIZATIONAL STRUCTURE OF BOSNIAN AND HERZEGOVINIAN COMPANIES

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ABSTRACT

The technological revolution (especially in the field of information and communications technology) and globalization are the key factors in shaping the new competitive landscape which is characterized by hypercompetition, increasing consumer demands and increasing demands for innovation, knowledge and learning. Modern enterprises along with the emerging business environment must appropriately adjust, and one of the preconditions for their successful adaptation is also the choice of an appropriate organizational design. Organizational structure, as the most important element of organizational design, is there today to provide companies with propulsion of internal and external borders. Consequently, the analysis of recent trends in the design of the organization in the context of adapting the enterprise global dynamic environment is one of the goals of this paper. In addition, this study will also include the results of the empirical study whose purpose was, among other things, the identification and analysis of the dominant type of organizational structure of the enterprises in Bosnia and Herzegovina. The results of this research will demonstrate the extent to which the structure of these companies is in accordance with the new trends in the field of organization.

Keywords: Organizational design, Type and dimensions of the organizational structure.

JEL: L20

1. INTRODUCTION

The recent trends in the external environment have influenced the transformation of highly pyramid-like traditional organizational forms in the new horizontal form. These new forms that have been based on the information and communication technology are characterized by the following: wide specialization, higher degree of decentralization, lower level of formalization, teamwork, etc. The new organizational forms provide not only the internal "permeability" between the borders of individual organizational units, but also the "permeability" of external organizational boundaries, and thus allowing companies to network with strategic partners (for instance, cluster formation, strategic alliances, network organizations, entry into joint ventures, etc.), with the aim of easier and more successful positioning in the dynamic global market. Theory and practice of management are the ones that create new recommendations on how to structure the organization, pointing to the need for the introduction of the "looser" structural form, which allows flexibility to companies (Keats, O'Neil, 2005, pp. 521). This paper will analyze the structural characteristics of BiH companies in terms of their relevance to new business conditions.

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2. OVERVIEW OF CONTEMPORARY RESEARCH ON ORGANIZATIONAL STRUCTURE

2.1. Defining Organizational Structure

The organizational structure is a system of interconnected elements, but also a system of connections and relationships within these elements. In its simplest meaning the "structure" stands for the composition, structure or complex. Different authors who focused on organizational structure in their research, offered different definitions for this organizational phenomenon. According to Chandler for example, organizational structure is a means for an integrated use of existing resources in the organization, while for Drucker it represents a unique system of all organizational units of the company. According to Katz and Kahn, "structure is to be found in an interrelated set of events which return to complete and renew a cycle of activities" (Katz, Kahn, 1978, pp. 21). Mintzberg defines the organization as a set of ways which divide labor in specific tasks, including mechanisms for achieving coordination between these tasks while Galbraith's definition is that organizational structure refers to the formal configuration of people and groups that are interconnected in terms of the division of tasks, responsibilities and authority within the organization. For Hodge, Anthony and Gales, "... structure refers to the sum total of the way in an organization which divides its labor into distinct tasks and then coordinates them". Considering the above mentioned definitions of the organizational structure, it can be determined that it is a dynamic element of organization that integrates all of its parts and resources. The organizational culture is a "skeleton" that all the other organizational components group around and lean on. A brief overview of the current and most relevant organizational theory in the study of organizational structure will be discussed in this paper.¹

2.2. Classic Approach in Studying Organizational Structure

Weber is the creator of the theory of bureaucracy. It evolved as a result of his criticism of the organization of the European society at the time, and the irrationality of the formal structures of the companies at the end of the 19th and the beginning of the 20th century that resulted from its founding of the prevailing standards of class consciousness, status and privileges nepotism of that time. According to the theorist, organizations should base their structure on precisely defined powers and professionalism and not on the familial affiliation or social power. It was recommended that organizations should be established on clearly defined principles. Therefore, Weber was the first who attempted to establish a rational basis for the organization and management. According to Weber, when constructing an organization one should be guided by the principle of specialization (which implies the division of work into knowledge and the competence and consistency between the authority and responsibility), the principle of hierarchy (which includes the application of the principle of scale, which is a clear relationship of superiority and inferiority), the principle of formalization (which implies completing the job by following defined rules and procedures in detail) and the principle of impersonality (which means that the owners should not be managers, nor should members of the organization be close with one another, which ensures that decision making is based on a rational and not emotional basis). Although the word "bureaucracy" today is usually related to sluggishness and inefficiency of the administrative apparatus (mostly government institutions), it is also related to the high degree of formalization in the organization that produces alienation, monotony, absenteeism and employee fluctuation. Weber's "ideal bureaucracy" has become a model for professional organizations of the

20th century, such as for instance, government agencies and universities, as well as some multinational companies (McDonalds, Holiday Inn, etc.). At the beginning of the 20th century, the organizational structure was based on the principles of scientific management, which was defined by Taylor and was later perfected by his followers Gant, Gilberth and others. The beginning of the 20th century was also marked by the development of the operating management which was defined by Fayol. According to the author, the organization should be established with respect to 14 principles. The central idea of both the scientific and operating management was that the planning and decision making should be concentrated on the "top" of the hierarchy, and that organizations should be centralized, with activities at lower levels carried out according to strictly defined rules and procedures with a high degree of formal control. Therefore, in the first half of the last century, organizational structures were built by rather simple and rigid rules, and this way meant that there is only one correct way to achieve organizational goals, or "only one best way" to structure an organization regardless of the context in which it operates (Keats, O'Neil, 2005, pp. 521). Only the representatives of the school of human relations, whose main representative is considered to be Mayo, spotted weaknesses in the functioning of a classically structured organization and it also was observed that in any company other than a formal act there is also an informal organization acting which definitely has a significant impact on the achievement of organizational goals. However, school of human relations essentially contains no criticism of the basic postulates of classical organizational theory, but only the upgrading of the principles on which it rested (such as, for example, that organizations are not only technical, but also social systems, and that people at work in addition to their basic needs also want to have the needs of "higher" level met, such as the need for connectivity, etc.).

2.3. Contingency Theory: Central Guidelines and Representatives

The classical approach to organizational structure involved looking for the "one best structural solution," without any consideration of the environment in which the company operates. The contingent (situational) approach maintains that, when designing the organizational structure, a combination of factors that affect the company must be taken into account. For example, these factors are size, type of technology used, characteristics of the environment in which it operates, etc. This new approach to designing the organization began to develop after World War II, when international orientation of the company became stronger. This resulted in giving its place to larger, in a vertical and horizontal sense, more complex organizations. Identifying differences in effectiveness and efficiency accomplished in the company that operated in the same markets was the main spark that motivated authors to focus the attention of the mid-twentieth century on a more in-depth study of various organizational characteristics (Keats, O'Neil, 2005, pp. 520 - 542). The situational approach is mostly linked to the empirical research of the following authors: Burns and Stalker (1961), Woodward (1965), Lawrence and Lorsch (1967), Khandwalla (1971, 1974), Thompson, etc. The organizational component that particularly drew the attention of scholars was the organizational structure.

Burns and Stalker, based on empirical research conducted in 20 industrial companies in the UK, carried out the classification of organizational structures with regards to their characteristics that are closely related to the characteristics of the environment. The degree of centralization/decentralization and the degree of formalization were the key dimensions of organizational structures that were in the focus of their research. According to Burns and Stalker, organizations with a

high degree of centralization and formalization are called "mechanical" and those with a higher degree of decentralization and the lower level of formalization are called "organic". It is important to mention that this terminology, which was introduced in the organizational theory by Burns and Stalker, is still in use when referring to the organizational design in the context of the characteristics specific for the external environment (mechanical design is related to the stable and easy environment, whereas organic design is related to the complex and dynamic environment) (Keats, O'Neil, 2005, pp. 522).

By relying on the measurement of the structural properties (conducted in 100 companies in the UK) span of control, number of organizational levels and the ratio of direct and indirect work, Woodward (1965) claimed that the companies whose structure was more compatible (aligned) with the production technology that they use was far more effective. Therefore, he introduced the so called "technological imperative" in the organizational theory. According to Woodward, mechanical or bureaucratic organization is suitable for organizations that use technology that enables mass production (the use of the assembly line), whereas organic design is the optimal solution for companies that use dedicated, non-routine technology (Keats, O'Neil, 2005, pp. 522).

In addition, Lawrence and Lorsch (1967) noted that the external environment determines the choice of structural solutions and pointed to two critical structural dimensions: differentiation and integration. Differentiation reflected the reaction of the organization to the complexity of its environment, whereas integration reflected the extent to which the organization has pursued the coordination of individuals and organizational units (Lawrence, Lorsch, 1967). In 1970, Lorsch and Morse analyzed four departments within a large company,

with two divisions operating in relatively stable environment conditions, and the other two in extremely unstable environment conditions (Morse, Lorsch, 1970, pp. 62). The results of their study showed that the more their structure was adjusted to the characteristics of the environment, the more efficient departments would be. These authors concluded that "it is not about what the best structure is, but about when a particular organizational design provides the highest degree of efficiency" (Thompson, 1967 in Keats, O'Neil, 2005, pp. 523), which is in accordance with the basic guidelines of contingency theory.

The attention of the study for Thompson (1967) was the relationship between structure, technology and environment. He pointed out that a way of thinking and perceiving the external environment by managers affects their decisions on how to structure the organization. According to this author, "organizations that are faced with heterogeneous resources are trying to identify homogeneous segments and form structural units that will deal with each one of them" (Thompson, 1967, pp. 70). This essentially means that the diversification of the business leads to divided organizational structure. In this way, Thompson anticipated interest in the increased diversification of large companies, including some of the ideas from Chandler, related to the relationship of strategy and structure.

The contingency theory has shifted away from the classical approach, according to which there is no universally best form of organizational structure and it affirmed the approach that the structure should reflect the situation of an organization - for instance, its age, size, type of production system, the extent to which its environment is complex and dynamic.

However, Mintzberg takes the view that the approach to the organization structure according to the situational theory does not go

far enough, and that the structure should be built based on the third approach, which he symbolically called the "configuration" approach. According to Mintzberg, span of control, types of formalization and decentralization, planning system and system of the main structure should not be chosen independently, not "the way the customer chooses vegetables at the market" (Mintzberg, 1989, pp. 103). Instead, Mintzberg believes that these and other elements of the organizational structure should be logically shaped in order to achieve their maximum compliance. By analyzing the characteristics of different organizational forms, Mintzberg came to the conclusion that there is an apparent convergence around several configurations that are identifiable by its structural conformation in the situations where they can be found, even in the historical periods in which they first appeared. During the discussion on the basic types of organizations, Mintzberg introduced six basic elements of the organization, six basic coordination mechanisms, as well as six basic types of decentralization, on whose foundations six types of configurations (entrepreneurial, mechanical, professional, divisional, innovative, missionary) are based, along with the seventh type of configuration (political) that occurs in conditions in which not a single factor, nor any organizational part has a decisive influence (Kurtic, 2005, pp. 248).

2.4. Contemporary Approach to Studying Organizational Structure

Organizational forms, principles and rules that were inherent in the industrial age are now inadequate for the information age that requires new forms of organizational design. The key characteristic of the new organizational forms is their flexibility, which provides companies with a higher degree of adaptability to the dynamic and turbulent environment. The ability to overcome the main difficulties arising from the traditionalist

forms of understanding the business life, according to the architects of the concept of reengineering business processes, Hammer and Champy (1990), lies in the need for different thinking that business should be based on the paradigm of business processes. In organizational terms, this means the transfer of functional departments (which had the primary place in the traditional organizational structure) to the process teams that have become the building blocks of a new organizational structure.

In this way the pyramid structured organizations assume a horizontal form, which enables a rapid response to customer needs and changes in the environment. This is in line with Naisbitt's megatrends, and according to the Drucker big companies in the future will have a smaller number of levels in the organization. Instead they will have a "shallow" organization and fewer managers, and in organizational terms, they are likely to resemble hospitals, colleges or Symphonic Orchestra (Drucker, 1993, pp. 87-120).

New organizational forms are best expressed by the concept of a virtual company that appoints an organization based on the information technology whose core consists of people and teams, flexible rules and procedures and horizontal structure that is made of processes and is solely based on the core competence that includes outsourcing the surplus. New organizational forms are not only more responsive to changing business conditions, but they are also used better and they manage the most important "resource" - people and their intellectual potential. Therefore, it can be reasonably argued that the rule that organizations are people is more correct now than ever before and likewise the effectiveness of the organization is largely determined by the quality of the human factor. (Bahtijarevic-Siber, 1999, pp. 62-63).

However, in the context of recent trends in the organization we are not referring to the new

organizational forms (T-form organization, virtual organization, team organization, networking organization, "twisted" organization, spider web organization, front/back organizations, amoeba organization, fractal organization, cluster organization, hierarchies, hypertext organization, etc.) (Galbraith, 1995, pp. 84-125), but to a new type of organizational structures, since the traditional forms of organizational structures are in the essence of the new organization and the new building material (such as the teams) tend to "lean" on them, which increases their flexibility. According to Keats and O'Neill (2005, pp. 520-542), one model of the organization will not fully compensate for another in the future. Some companies succeed by using the organizational structure forms that reflect the characteristics of the era of mass production (e.g. by using the assembly line and by relying largely on the control and standardization, etc.), while others achieve success by implementing organizational forms that are consistent with the requirements of the Information Age (e.g. reliance on teamwork and everything that is "virtual").

3. DIMENSIONS OF ORGANIZATIONAL STRUCTURE

Dimensions of organizational structure may be structural and contextual (Daft, 1995, pp. 15-17). Contextual dimensions describe the whole organization. The most important contextual dimensions of the organizational structure are the environment in which the company operates, age and size of the company, system of power in the organization, goals and strategies of the company, characteristics of the technology used and the specific organizational culture. Structural dimensions describe the internal characteristics of the organization. The most important parameters of the structural organization are the following: specialization, formalization, complexity, standardization, hierarchy and the degree of centralization/

decentralization (Mintzberg, Quinn, 1991, pp. 333-344).

Specialization indicates the level in which the organization tasks are divided into smaller specific tasks. Specialization is directly dependent on the degree of division of work, in such a way that a high level of division of work means narrow specialization, and vice versa, the low level of division of work implies broad specialization. Horizontal specialization refers to the breadth of work and shows the number of operations performed by an individual in the organization, whereas vertical specialization refers to the depth of work and shows the extent to which an individual has control over the work performed (Petkovic, Janicijevic, Bogicevic-Milikic, 2009, p 58). Unskilled jobs are usually very specialized in terms of both dimensions, whereas skilled or professional jobs are usually specialized horizontally, but not vertically (Mintzberg, 1979). A high degree of vertical specialization may produce monotony and alienation at work. Therefore it has a negative impact on the psycho-physical health of the employees. In order to avoid that, job rotation, broadening the scope of work and enrichment of work to make the job challenging for an individual, are often applied.

Formalizing behavior concerns the standardization of work processes by imposing precisely and rigidly defined rules and procedures. The higher the degree of formalization, the more rigid organizational structure becomes and that is how the foundations are laid for informal groups to have more active influence. The degree of formalization in an organization can be measured by the number of written documents that describe the behavior and activities of the organization. So, on the one hand, there will be a large number of written documents for large organizations, with strictly formalized way of handling business. On the other hand, small and young

organizations usually have a small number of written documents or have not got any at all (Sehic, Rahimic, 2006, pp. 139).

Complexity is the number of activities or subsystems within the organization. It can be measured with the help of three dimensions: vertical, horizontal and spatial. Horizontal differentiation determines the extent to which the objectives of the company are divided into homogenous groups. In doing so, the basis for this group could be the following: business function, stages of production, types of services, etc. (Kurtic, 2005, pp. 166). Vertical differentiation refers to the depth of the organizational hierarchy which is the number of levels in the hierarchy, and vertical differentiation stands in relation to each other with horizontal differentiation. Spatial differentiation involves location and dislocation, and these include distance (spatial distance, both within a country and between countries) and numbers (located and dislocated parts of an organization).

Hierarchy of authority indicates the relationship of subordination and superiority in the organization. The hierarchy reflects the range of management, or the number of subordinates with whom one manager can effectively manage.

Decentralization is tendency in the diffusion of power in decision-making within the organizational hierarchy. When all the power is concentrated at the top of the organizational hierarchy, then its structure is centralized. When the power is largely dispersed at lower levels, then we refer to a relatively decentralized organization. Although negative connotations are very often associated with a high degree of centralization, it should be emphasized that it is desirable in certain situations, when a higher level of control is desired such as, for instance, in the case of company crisis or when the success of business activities (usually in the area of service delivery) is

dependent on the changing of the rules and standards as well as a higher level of control.

4. EMPIRICAL STUDY RESULTS

The basic set of the conducted empirical study titled "Strategic and Organizational characteristics of Bosnian and Herzegovinian enterprises" is comprised of a 100 Bosnian and Herzegovinian companies from various sectors (in the domain of production of consumer goods, services, trade, mining, construction, road and rail transport, heating and electricity systems), which are geographically dispersed throughout Bosnia and Herzegovina. The main instrument used for collecting data for research purposes was a survey questionnaire. The questionnaire was designed in accordance with the content elements of the underlying research and consisted of seven parts: 1) general information about the company, 2) the strategy of the company, 3) organizational structure of the company, 4) organizational dynamics, 5) environment, 6) social responsibility and 7) organizational culture. A total of 86 questionnaires (out of 100) were completed and returned, which is satisfactory in terms of representativeness of the survey sample. Only a part of the results of the study will be presented in this paper, namely the results related to the characteristics of the organizational structure of BiH enterprises. This paper will present the empirical data collected from the completed questionnaires on the organizational structure, which consisted of eight general questions (in a tabular form) with the statements that the respondents identified themselves (with the use of the Likert's scale). The first question in this part of the survey questionnaire was related to the identification of the volume of product range of the company (as it is important for assessing the business report of organizational solutions of the company), and the second question was related to the identification of the dominant type of organizational structure of the company.

We tried to determine the degree of centralization in BiH companies through the responses to the third question, which consisted of six statements that respondents identified. Through the responses to the fourth question (which included 9 statements) we sought to determine the degree of formalization of these companies, and the responses to the fifth question (which contained 10 statements) identified the dominant approach to designing work. The sixth question (with a total of 14 statements) was referring to the attitude of BiH employees towards team work, while the seventh question (with a total of 6 statements) was related to the identification of the core coordination mechanisms. The eighth question (with a total of seven statements) was focused on determining the basic mechanisms of integration in BiH companies. With an insight into the structure of the collected empirical data, it was found that 36 companies, according to the criterion of the number of employees, belong to the category of medium-sized and large companies, while the remaining 50 companies that were included in the survey belong to the category of small and micro enterprises. Considering that organizational structure is not sufficiently developed in small and micro enterprises, a more detailed analysis of the structural characteristics was carried out in 36 medium and large enterprises (see Table 4.1.). Some of the results of this empirical study will be presented and interpreted below.

Table 4.1. The number of employees in the enterprises enclosed in the empirical research

Companies in the sample	The number of employees
Company 1	113
Company 2	65
Company 3	3531
Company 4	825
Company 5	297
Company 6	827
Company 7	220
Company 8	61
Company 9	58

Company 10	290
Company 11	117
Company 12	980
Company 13	186
Company 14	526
Company 15	63
Company 16	420
Company 17	424
Company 18	80
Company 19	94
Company 20	61
Company 21	860
Company 22	340
Company 23	244
Company 24	2700
Company 25	3683
Company 26	428
Company 27	58
Company 28	180
Company 29	717
Company 30	88
Company 31	111
Company 32	120
Company 33	210
Company 34	63
Company 35	90
Company 36	802

Source: The Empirical Study Results

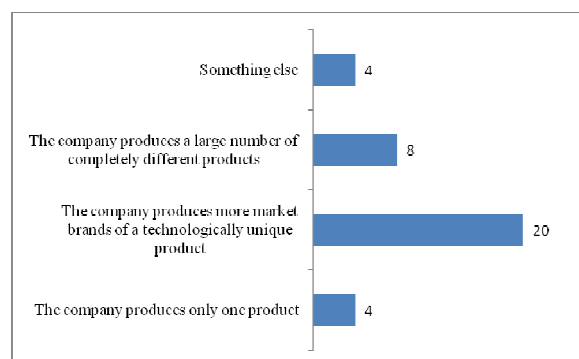


Figure: 4.1. Product range of BiH enterprises

Source: The Empirical Study Results

Figure 4.1. graphically presents the results of the empirical study, suggesting that the dominant species of the organizational structure of these companies is functional or the so-called U-shape structure. From the viewpoint of providing the flexibility to operate in a dynamic and changing environment, the functional structure is not the best solution. On the one hand, it is quite a rigid structural form that brings the company realization of a higher level of efficiency. On

the other hand, if we take into consideration the dominant product line of BiH enterprises, then the preference of the U-shaped structure can bind to directing these companies to focus

on producing a limited number of products, and more market brands of a technologically unique product.

Table 4.2. The level of centralization/decentralization in BiH companies

The level of centralization/decentralization in Your company	Completely agree	Agree	Somewhat agree	Disagree	Totally disagree	Arithmetic mean
The decisions in your company are made by the top-management without including or consulting the subordinates	8	10	11	6	1	3.50
Managers make all the decisions and their subordinates follow them	7	14	9	3	3	3.53
The subordinates are not included in the process of setting up organizational goals	1	13	8	12	2	2.97
The tasks are mainly distributed in a written form	4	11	10	9	2	3.17
The communication is largely by top-down system (in the sense of organizational hierarchy)	11	11	10	3	1	3.78
Suggestions from the employees at lower levels are rarely taken into consideration when solving a specific problem.	1	7	7	15	6	2.50

Source: *The Empirical Study Results*

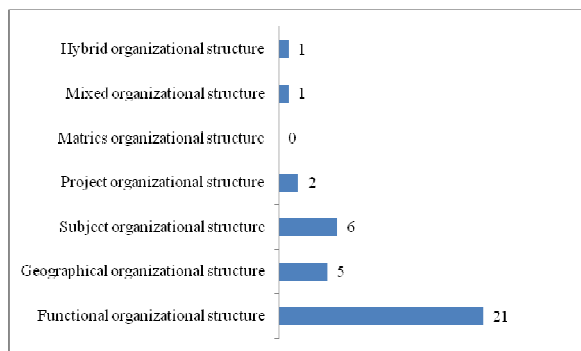


Figure: 4.2. Types of organizational structures of BiH businesses

Source: *The Empirical Study Results*

The results of the research in the field of determining the degree of centralization in BiH companies suggest the following: Managers of BiH companies tend to make decisions individually, without involving or

consulting their subordinates in the process. The average score in this area is 3.5. However, based on the table, 22.22% of managers responded to this question with "strongly agree", 27.27% of them responded with "agree" and 30.55% answered that they only "somewhat agree", which indicates a higher degree of centralization. Without a doubt, there is a relatively high degree of centralization in BiH companies, which is revealed through a large number of cases.

The subordinates are the ones who only carry out the decisions that are made independently by managers themselves (the mean value in this field is 3.53), the communication takes place largely by top-down system (the mean value in this field is 3.78), and communication

is often done in writing (the mean value in this field is 3.17). The situation is somewhat better in the field of employee involvement in BiH companies in the process of setting goals and taking into account their suggestions for solving specific issues related to their work.

The results of the empirical study point to a relatively high degree of formalization in BiH companies. Specifically, in a significant number of companies (83%), it was observed that the formal inspection is based on the respect of rigid rules and precisely defined

Table 4.3. Formal control in BiH companies

Formal control in BiH companies is based on:	Completely agree	Agree	Somewhat agree	Disagree	Totally disagree	Arithmetic mean
Compliance with rigid rules and precisely defined procedures	7	11	12	5	1	4.50
A large number of written documents which regulate employees' behavior	5	11	14	6	0	4.58
Frequently submitted written reports on the completed work	8	14	9	5	0	4.44
Supervision of all the activities of their subordinates	8	18	8	1	1	4.53
Establishing cost responsibility centers (organizational units are responsible for the costs associated with their business)	4	14	9	7	2	4.06
Establishing revenue responsibility centers (organizational units are responsible for revenues realized by them)	5	11	10	8	2	4.08
Establishing profit responsibility centers (organizational units are responsible for profit realized by them)	2	10	13	10	1	4.14
Establishing investment responsibility centers (organizational units are responsible for profit and return on investment associated with an organizational unit)	4	9	12	10	1	4.14
The company where continuous evaluation of employees' performance is carried out and the amount of salary and opportunity for advancement is dependent on them	5	12	10	7	2	4.14

Source: *The Empirical Study Results*

procedures, which points to a conclusion that the organizational structure of the enterprise is rather stiff and rigid. The results in other fields are the following: the degree of use of the documents governing the behavior of employees (the average value in this field is

4.58), the frequency of submission of written reports of completed work (the mean value in this field is 4.44), and the degree of supervisors' control over all of the activities of subordinates (the mean value in this area is 4.53).

Table 4.4. Coordination of work in BiH companies

Coordination of work in Your company is realized through:	Completely agree	Agree	Somewhat agree	Disagree	Totally disagree	Arithmetic mean
a) informal communication with superiors and colleagues at work	3	10	12	9	2	4.08
b) instruction by the supervisor (boss, manager)	6	20	8	2	0	4.50
c) precise job specifications and precise definition of the content of work and procedures that must be followed in the process	10	13	9	4	0	4.56
d) precisely defined standards of operating results (volume/amount of work and time to do the job have been defined)	7	12	11	5	1	4.44
e) employees who are trained and each one does his/her job without much guidance by others (bosses/colleagues), without explicit regulation of content of work and procedures for its performance	3	15	13	5	0	4.53
f) the unwritten norms of behavior (dedication to the job, good relations with work colleagues and bosses) are developed in the organization which affects proper performance of work and good business results	8	16	10	2	0	4.67

Source: *The Empirical Study Results*

The research results in the field of identifying the ways upon which the coordination of BiH companies is based on, indirectly indicate a high degree of standardization of work activities and the high degree of job specialization. However, the results indicate that coordination of work is largely based on the precisely defined job specifications (the mean value in this field is 4.56) and through

the defined standards of work (the mean value in this field is a 4.44), and that the job is done without excessive involvement of colleagues (the mean value in this field is a 4.53), suggesting the lack of teamwork and a high degree of specialization.

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5. CONCLUSION

Through the analysis of the relevant and recent literature in the domain of the organization, it is possible to draw the conclusion that the study of the structure of the 21st century is more likely to emphasize the polymorphism rather than isomorphism, including the development of new organizational forms and the incorporation of new structural elements into the already existing organizational forms. Namely, according to the modern theory's viewpoint there is not just one universally the best structural solution, and not all traditional forms of structure should be completely rejected. Instead, they should be made more flexible and suitable along with the introduction of new elements for new changeable business conditions. A large number of authors agree that by describing, documenting and assessing these changes, there is a major challenge for research in the field of management, organizational theory and strategic management, but also in practice. Considering that the organizational structure is a phenomenon that continues to change, it will be popular to analyze it on multiple levels in the time ahead. The results of the empirical research presented in this paper show that in large and medium-sized BiH companies that were included in the sample, functional organizational structure (U-shape structure) is the one that dominates. From the standpoint of size of companies in the sample and in terms of the external environment in which modern enterprises operate, one can conclude that the existing organizational arrangements in BiH enterprises are inadequate. Namely, functional organizational structure is an appropriate organizational solution for small and medium size enterprises which produce one or several homogeneous products. Growth and development of the company implies diversification of production and expansion of its products to new markets, as

well as guidance on different categories of customers, which requires organizational structure to be more developed than functional. In dynamic and unpredictable business conditions that we have today, the U-form structure does not provide sufficient flexibility to an organization. If we take into account other characteristics of an enterprise, which are included in the subject research, such as for instance belonging to the sectors of activity (trade, construction, services, etc.), then we can argue with higher certainty that the predominant form of organization in BiH enterprises is inappropriate (geographical organizational structure is more appropriate for trade and service companies whereas organizational structure is more appropriate for construction matrix companies).

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¹ The backbone of the previous studies into organizational structure consists of historical overview of the development of the theory of strategy and structure, which is presented and analyzed in the work of Keats, B., O'Neil, H. M.: *Organizational Structure: Looking Through a Lens of Strategy* in Hitt, M. A., Freeman, R. E., Harrison, J. S., Ed., (2005), *Handbook of Strategic Management*, Blackwell Publishing, United Kingdom, pp. 520-542 (more in: Sehic, Dz., Delic, A. (2012), *Strategic Management and Organizational Effectiveness*, Off Set, Tuzla).

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1. Hitt, B.K. & DeMaie, S.M. (1998) *Navigating in the New Competitive Landscape, Building Strategic Flexibility and Competitive Advantage in the 21st century*.